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The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: STB Docket No. 42070, Duke Energy Corporation v. CSX Transportation, Inc.

Dear Secretary Williams:

Enclosed for filing on behalf of CSX Transportation, Inc. ("CSXT") in the above-referenced proceeding are a signed original and ten (10) copies of the Supplemental Evidence of Defendant CSX Transportation, Inc. ("Supplemental Evidence"), and ten (10) CDs containing electronic workpapers. CSXT's Supplemental Evidence consists of one (1) volume, two (2) CDs containing electronic materials, and one (1) laptop computer containing a copy of the proprietary, confidential Rail Traffic Controller ("RTC") simulation model. Additionally, this filing includes three (3) diskettes containing electronic versions of the Supplemental Evidence.

Please acknowledge receipt of this submission for filing by date-stamping the enclosed duplicate paper copy and returning it to our messenger.

Please note that the electronic workpapers and the laptop contain materials designated as **Confidential** and **Highly Confidential**, under the terms of the Protective Order entered by the Board in this proceeding on February 5, 2002. These materials must be maintained under seal and must not be placed in the public docket. However, the narrative and exhibits are not designated as Confidential or Highly Confidential.

If you have any questions concerning this filing, please contact one of the undersigned. Thank you for your attention to this matter.

Sincerely,

G. Paul Moates
Terence M. Hynes
Paul A. Hemmersbaugh

Enclosures

cc: Counsel for Complainant (w/encls.)

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant,* v. CSX TRANSPORTATION, INC., *Defendant.*	)	STB Docket No. 42070

SUPPLEMENTAL EVIDENCE OF
DEFENDANT CSX TRANSPORTATION, INC.

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DATED: January 5, 2004

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I. INTRODUCTION AND SUMMARY

CSX Transportation, Inc. ("CSXT") respectfully submits this Supplemental Evidence, as directed by the Board in its Order served in the above-captioned maximum rate reasonableness proceeding on October 14, 2003 (the "October 14 Order"). As CSXT demonstrated in its prior submissions in this case, and as the October 14 Order recognizes, Complainant Duke Energy Corporation ("Duke") shifted substantial volumes of crossover traffic (i.e. traffic not local to its SARR) to ACW/CSXT interchange points that would both significantly change the routing of such traffic on the residual CSXT, and result in a greater overall length of haul. CSXT Reply III-A- 39 to 43; CSXT Br. 37. Based upon the principles articulated in the Board's recent NS/Duke Energy decision, such reroutes are presumptively invalid. See STB Docket No. 42069, Duke Energy Corp. v. Norfolk Southern Ry. Co. (served November 6, 2003) ("NS/Duke Energy") at 25-26.

Some of the crossover traffic rerouted by Duke was shifted to alternate routes that resulted in a shorter overall length of haul. NS/Duke Energy establishes a rebuttable presumption that such reroutes are permissible. However, the relative length of haul involved is not, in all circumstances, determinative of the relative efficiency of alternative routings. Factors such as grade and curvature, traffic density, and the unique operating characteristics of specific routes may have a greater impact on efficiency than length of haul alone. Because (for the reasons discussed below) the challenged reroutes do not have a significant impact on the overall SAC analysis in this case, CSXT has not attempted in this Supplemental Evidence to analyze the impact of such factors on movements shifted by Duke to nominally shorter crossover routes, or to rebut the presumption articulated in NS/Duke Energy.

Finally, Duke diverted to its SARR more than 455,000 tons of annual coal traffic whose customary route of movement never comes within hundreds of miles of the ACW "on-junction"

assumed by Duke. For the reasons set forth below, the Board should disallow the diversion of such traffic, which has no real world nexus to the territory served by the SARR, regardless of the resulting length of haul.[1]

For purposes of a stand-alone cost calculation, disallowing the challenged reroutes would affect two broad categories of costs: investment costs and operating expenses. CSXT has determined that, if the challenged reroutes were disallowed, the ACW could realize a net reduction in investment costs of approximately $18.2 million, due to the elimination of certain track facilities that would no longer be needed to serve the ACW's reduced traffic base. Eliminating the challenged reroutes would likewise reduce the ACW's net operating expenses by approximately $9.9 million per year. Depending on whether the Board adopts the "Enhanced Modified Mileage Prorate" ("EMP") method of allocating interline traffic revenues advocated by CSXT in its case-in-chief, or the "Modified Straight Mileage Prorate" ("MSP") method used by the Board in its NS/Duke Energy decision, the base-year revenues attributable to the rerouting of crossover traffic are either $11.4 million (under the EMP method) or $6.8 million (under the MSP method). See Part III below.

The net result of these adjustments is a slight decrease in the amount by which SARR costs exceed SARR revenues over the DCF period. See Tables 5 and 6, infra. Thus, eliminating the costs and revenues attributable to the challenged reroutes would decrease the cumulative present value (over the 20-year DCF period) of the excess of stand-alone costs over stand-alone revenues by approximately 0.5% (from $4.35 billion to approximately $4.33 billion). Compare CSXT Reply Exh. III-H-1 with CSXT Supp. Elec. WP "EXHIBIT-III-H-1 Corrected No

[1] This Supplemental Evidence identifies the impact of disallowing both those Duke reroutes of crossover traffic that would produce a longer overall haul, and those involving crossover traffic that has no nexus to the territory that Duke's SARR proposes to serve. References hereinafter to the "challenged" rerouted traffic refer collectively to both categories of rerouted traffic.

Reroute.123." This marginal difference in the DCF indicates that excluding the costs and revenues associated with the challenged reroutes would have no material effect on the overall result in this case: with or without the challenged rerouted traffic, the ACW's stand-alone costs exceed its stand-alone revenues by a very wide margin.

II. DUKE'S REROUTED CROSSOVER TRAFFIC

Duke shifted the vast majority of the challenged rerouted traffic to the ACW/CSXT interchange at Spartanburg, SC. (Two small movements, accounting for approximately 44,000 tons, were rerouted by Duke to an ACW/CSXT interchange at Mount Holly, NC.) See CSXT Supp. Exh. 1. These shipments currently move over either CSXT's I-95 corridor route (via Richmond, VA) or CSXT's route via Corbin, KY and Atlanta, GA. CSXT's alternate routes — which play a critical role in its real world coal operations — were intentionally omitted by Duke from the ACW's track network.

For example, CSXT currently handles 1.3 million tons of coal originating at the Lynch 3 mine (on CSXT's Poor Fork Branch in Kentucky) to Georgia Power's plant at Stilesboro, GA (near Atlanta). This traffic currently moves to Stilesboro via Pineville Jct., KY, Corbin, KY and Knoxville, TN. Rather than deliver this traffic to the residual CSXT at Pineville Jct. (along its customary route of movement), Duke posited that it would move over the ACW's lines via Frisco, VA and Bostic, NC to the ACW/CSXT interchange at Spartanburg, SC. Altering the customary route of movement in this manner inflated the ACW's haul by 246 miles, and increased the overall movement by 226 miles. CSXT Supp. Exh. 1. Shipments from the Clover mine (on the Straight Fork Branch in Kentucky) to Stilesboro, GA were rerouted in a similar manner, increasing the overall length of haul by 300 miles (while providing the ACW with a haul of 320 miles (more than 15 times longer than the ACW haul would be via the customary routing). Id. Likewise, Duke rerouted shipments of coal originating at the Goals and Wells Prep

mines (on the St. Albans Branch in West Virginia) and destined to North Birmingham, AL to the ACW/CSXT interchange at Spartanburg. These shipments currently move on CSXT's lines via Russell, KY, Louisville, KY, and Nashville, TN to North Birmingham. Duke's rerouting of these shipments extended the ACW haul by 376 miles, and increased the overall movement by approximately 132 miles. Id. For the reasons set forth in the Board's NS/Duke Energy decision (at 25-26), reroutes of this type should be disallowed.

In addition to shifting crossover traffic to less efficient routings that lengthened the overall movement (while enhancing the ACW's revenue divisions), Duke "manufactured" traffic and revenues for the ACW by diverting to the ACW's lines more than 455,000 tons of coal traffic which today never traverses any portion of the CSXT lines that are replicated by the ACW system. Indeed, with one exception, the customary route of movement for this traffic on CSXT never passes within 250 miles of the "on-junction" at which the ACW supposedly would receive it from the residual CSXT.[2] For example, the traffic Duke selected included 81,059 tons of coal originating at the Bailey mine in Pennsylvania, destined to the Jacksonville Electric Authority at Power Park, FL. See CSXT Supp. Exh. 1. This traffic currently moves eastward on CSXT's line from the mine to Cumberland, MD, then via the I-95 corridor route to destination. The closest that the customary route of movement for this traffic comes to the ACW "on-junction" assumed by Duke (DK Cabin/Huntington, WV) is West Brownsville Jct., PA – which is 348 miles northeast of Huntington. See CSXT Supp. Exh. 2. Yet, Duke assumed that this traffic (and several similar movements – see CSXT Supp. Exh. 2) could be diverted by the ACW 348 miles "out of route" to an ACW/CSXT interchange at DK Cabin, WV. The ACW would then carry the traffic over its lines to Spartanburg, SC, where it would be interchanged a second time with

[2] The sole exception is a movement of 70,723 tons of coal from the Resource mine in Kentucky, which Duke diverted 22.8 miles "out of route" to an ACW/CSXT interchange at Pineville Jct.,

CSXT for movement to Power Park, FL. Duke's assumption, in essence, created a 411-mile overhead haul for the ACW on a coal movement that never comes anywhere near the ACW's service territory today. Duke likewise assumed that 104,425 tons of coal originating at the Evergreen mine in West Virginia, destined to Electric Fuels Corporation at Red Level Jct., FL, which currently move via Cumberland, MD and CSXT's I-95 corridor route, could be diverted by the ACW more than 250 miles "out of route" to the DK Cabin, WV interchange. See CSXT Supp. Exh. 2. Diverting the traffic in this manner afforded the ACW an otherwise non-existent haul of 411 miles on this traffic. As CSXT Supp. Exh. 2 shows, the crossover traffic selected by Duke included more than 455,000 tons for which the customary route of movement never comes anywhere near the point at which Duke assumed it would be interchanged by the residual CSXT to the ACW.

The Board should disallow Duke's attempt to create additional revenues for its SARR by diverting to it traffic that has no nexus to the SARR's service territory. As the Board's prior decisions hold, the purpose of allowing a complainant to include crossover traffic in its SARR traffic grouping is to enable the SARR "to take advantage of the same economies of scale, scope and density that the incumbent enjoys over the identical route of movement." TMPA at 18 (citing Nevada Power, 10 I.C.C. 2d at 265, n. 12) (emphasis added). Moreover, "for purposes of a SAC analysis, [the Board] assume[s] that the SARR would replace the defendant carrier for the particular segment of the rail system that it would replicate." TMPA at 18 (emphasis added).

Here, Duke seeks to have the ACW replace the incumbent CSXT on movements that take place hundreds of miles away from the ACW's service territory, by diverting such shipments hundreds of miles "out of route" to fictitious on-junctions through which the traffic never passes

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KY. See CSXT Supp. Exh. 1.

in the real world. Permitting Duke to reach far beyond the ACW's service territory, and to divert to its SARR nearly one-half million tons of traffic that, in reality, never traverses any portion of the CSXT lines replicated by the ACW, would undermine the fundamental goals of the SAC test, by creating for the ACW revenue opportunities (and resulting economies) that are not available to the incumbent CSXT on the lines at issue. Such traffic has no nexus to the service territory selected by Duke for its SARR, and is not properly includable in the ACW's traffic group.

Moreover, Duke made no attempt to demonstrate that diverting these shipments hundreds of miles away from their customary route of movement would be consistent with the preferences of the involved shippers, nor did it address the effects of the off-SARR portion of the diverted movements on CSXT's operations and costs. As the WMS data provided to Duke in discovery made clear, many of the shipments diverted "out of route" by Duke are destined to utilities in Florida (such as Electric Fuels Corporation, Jacksonville Electric Authority and the City of Lakeland) whose traffic moves almost exclusively in shipper-owned rail cars. Duke offered no proof that these shippers would agree to reroutings that increased the overall length of haul (and, therefore, reduced the productivity of their private car fleets), or to receive coal in trains of different lengths, simply to enable the ACW to participate in the movement of their traffic. Nor did Duke even attempt to address the concerns raised by CSXT in its Reply (at III-A-42 to 43) concerning the ability of CSXT's capacity-constrained Ohio River subdivision to accommodate these diverted movements between the mines and Duke's proposed ACW "on junction" at DK Cabin, WV. As CSXT's evidence showed, Duke's proposed diversion of Pennsylvania and West Virginia coal from CSXT's I-95 corridor routing to a less efficient route via the Ohio River subdivision would force such shipments to cross the rugged Appalachian mountains twice, and would require the traffic to move in smaller trains than CSXT operates via

the I-95 route today. Id. III-A-42. Such patently inefficient reroutings – which serve no purpose other than to inflate the ACW's revenues – should be disallowed. In most instances, the route(s) to which Duke diverted these movements resulted in a greater overall length of haul. See CSXT Supp. Exh. 1. Such reroutes violate the principles articulated in NS/Duke Energy as well.

III. REVENUES GENERATED BY CROSSOVER TRAFFIC REROUTED OVER THE SARR

CSXT determined the revenues generated by the challenged rerouted traffic in the following manner.

First, CSXT excluded entirely the 455,616 tons of coal traffic that Duke diverted from CSXT lines and routes that never even come close to any line replicated by the ACW system (i.e., the "no real world nexus" reroutes) This traffic accounts for approximately $2.7 million in revenues for the ACW under the EMP division methodology that CSXT sponsors in this case (and approximately $2.6 million in ACW revenues using the MSP methodology the Board applied in NS/Duke Energy).

Second, for rerouted crossover traffic that would result in a longer overall length of haul, CSXT determined the miles that such crossover traffic would move on the ACW and on the residual CSXT, respectively, if that traffic were redirected from interchanges at Spartanburg, SC or Mount Holly, NC, to a ACW/CSXT interchange at Pineville Jct., Russell or Typo, KY, or Fayette, WV (which routings mirror the current route of movement on CSXT).

Third, in order to determine the revenues that the ACW would earn for its portion of the haul on traffic redirected to the new off-junctions (i.e., the traffic identified in the second step, described in the immediately preceding paragraph) CSXT developed an estimate based upon the EMP methodology advocated in CSXT's Reply.[3] Specifically, CSXT determined that the overall

[3] CSXT has not calculated revised ACW revenues for redirected crossover movements by

average difference between the ACW revenues for crossover traffic proffered by Duke (based upon the modified mileage prorate methodology) and the corresponding revenues resulting from application of the EMP methodology sponsored by CSXT, in the parties' cases-in-chief, was 3.27 percent.[4] CSXT calculated the revenues that the ACW would earn on shipments interchanged at the customary off-junction points, using Duke's modified mileage prorate. CSXT then adjusted those revenues downward by 3.27 percent, to derive an estimate of the ACW revenues that would result from application of CSXT's EMP methodology. Using the above-described methodology, CSXT determined that the challenged reroutes generated an additional $11.4 million in revenues for the ACW.

In its recent NS/Duke Energy decision (at 22-25) and NS/CP&L decision (at 20-21), the Board applied the MSP methodology for calculating the SARR's share of revenues on crossover traffic. For the Board's convenience, CSXT has also recalculated ACW revenues associated with the challenged reroutes based on the application of the MSP methodology.[5] Under the MSP methodology, CSXT calculates that the challenged traffic would generate $6.8 million in ACW revenues.

IV. COSTS ATTRIBUTABLE TO CROSSOVER TRAFFIC REROUTED ON THE SARR

CSXT conducted several analyses to determine the investment costs and operating expenses attributable to the challenged crossover traffic. Applying the same three methodologies

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recreating the EMP methodology for the entire revised ACW system. The estimate presented herein, which is based upon the proportionate relationship between ACW revenues calculated by Duke (based upon its modified mileage prorate methodology) and the ACW revenues resulting from application of CSXT's enhanced mileage prorate methodology in the parties' respective cases-in-chief provides a reasonable proxy measure of the revenue allocation effects of disallowing rerouted crossover traffic.

[4] See CSXT Supp.WP "epr csxRevprojbasedontariffs (No Reroutes).xls."

[5] See CSXT Supp. WP "csxRevprojbasedontariffs_revised (STB Rev Div (No Reroutes)).xls"

that he used in CSXT's case-in-chief, witness Wheeler identified changes in the ACW's track and facility requirements that could be made as a result of redirecting the challenged crossover traffic from the "rerouted" ACW/CSXT interchange points (Spartanburg, SC or Mt. Holly, NC) proposed by Duke to alternate interchange points (at Pineville Jct., Russell or Typo, KY, or Fayette, WV) that more accurately reflect the customary, more efficient route of movement on CSXT. Mr. Wheeler's analysis further assumed that the eight challenged reroutes that have no real world nexus to the ACW's service territory would move via their historic routing on CSXT's lines (and, therefore, would not be handled at all by the ACW). The results of witness Wheeler's analyses are set forth in Part IV.A below. CSXT witness Baranowski quantified the impact of the facility changes identified by witness Wheeler on the ACW's investment costs. Witness Baranowski's revised investment cost estimate is set forth in Part IV.B below. CSXT's operating expert, Mr. Fliess, reviewed the operating plan for the ACW presented by CSXT on Reply, and modified it to the extent necessary to take account of changes in train operations resulting from disallowance of the challenged reroutes. Mr. Fliess' analysis is presented in Part IV.C below. Utilizing the same computerized spreadsheet model and methodologies employed in CSXT's case-in-chief, CSXT witness Plum developed revised operating statistics and operating expenses for the ACW, based upon the redirection of the challenged reroutes to interchange points reflecting their customary route of movement. The revised operating expenses developed by witness Plum are set forth in Part IV.D below.

A. SARR Configuration

CSXT witness Wheeler analyzed the impact on the ACW's track capacity requirements of redirecting the challenged crossover traffic to ACW/CSXT interchange points that more accurately reflect the customary route of movement for such shipments. Mr. Wheeler employed

the same three methodologies that he used in evaluating the ACW's track and facility requirements for CSXT's case-in-chief:

1. RTC Model

Witness Wheeler utilized the RTC Model to determine the effects of disallowing the challenged reroutes on the ACW's capacity requirements. In doing so, Mr. Wheeler changed only the train routing for the challenged crossover traffic. Specifically, for those crossover shipments for which the interchange point assumed by Duke (Spartanburg, SC or Mount Holly, NC) would result in a greater overall length of haul, witness Wheeler assumed that the traffic would be redirected to an alternate ACW/CSXT interchange point (Pineville, Russell, or Typo, KY or Fayette, WV) that more accurately reflected the customary route of movement for such traffic. See CSXT Supp. WP "CSXT Supplemental-RTC Case-Duke.zip." For the eight challenged reroute movements that never traverse any part of the CSXT system replicated by the ACW's lines, Mr. Wheeler assumed that the ACW would not participate in the movement at all, and eliminated such trains from his analysis. All of the other parameters and assumptions upon which witness Wheeler's prior RTC Model analysis were based – including train characteristics, arrival times, speed limits, grade and curvature, slow orders, random failures, maintenance windows, and the times required for tasks such as loading and unloading trains, inspecting empty trains, changing crews and completing interchange activities – were held constant. The specific methodologies, assumptions and parameters used by witness Wheeler in conducting the RTC Model analysis are discussed in detail in CSXT's Reply (at III-B-37 to 46) and in witness Wheeler's workpapers.

Based upon this supplemental analysis, witness Wheeler identified certain tracks and related facilities on the ACW's lines that would no longer be required in the event that the challenged reroutes were disallowed. The specific location of, and rationale for, each of these

modifications to the ACW's configuration are discussed below. CSXT Supp. Exh. 3 (a revised version of CSXT Reply Exh. III-B-2) depicts the track additions/deletions identified by witness Wheeler's supplemental RTC model analysis. The workpapers submitted with this Supplemental Evidence include witness Wheeler's rerun of the RTC Model analysis (based upon the redirection or elimination of the challenged reroutes) as well as an executable copy of the RTC Model utilized by witness Wheeler in conducting his supplemental analysis.

a. Fayette, WV – Russell, KY

Mr. Wheeler's RTC analysis indicated that disallowing the challenged reroutes would not necessitate any modifications to the track configuration proposed in CSXT's Reply for the ACW lines between Fayette, WV and Russell, KY. Much of the train activity in this area consists of loaded and empty train movements to and from mine origins located on ACW branch lines connecting to the Fayette – Russell line. Such local movements would not be affected by disallowing the challenged reroutes. Challenged crossover shipments originating at the Goals, Wells Prep and Prenter mines (on the St. Albans Branch) and the Hutchinson and Fanco mines (on the Barboursville Branch) move on the Russell – Fayette line to Big Sandy Jct., KY, and would continue to do so. At Big Sandy Jct., these movements would be redirected northwest to an interchange with CSXT at Russell, KY, rather moving south on the ACW to Spartanburg, SC. The addition of these movements to the ACW line between Big Sandy Jct. and Russell would not require any additional capacity on that short (10.8-mile) segment. One movement of coal originating at the Liberty mine (on the St. Albans Branch) and rerouted by Duke to Mount Holly, NC, for delivery by CSXT to Graingers, NC, would be redirected to the ACW/CSXT interchange at Fayette, WV. This small movement (only 5,135 annual tons) obviously would not have a material impact on the ACW's line between St. Albans and Fayette, WV. Overall, the average number of daily train movements would remain the same between Fayette and DK

Cabin, WV; would decrease marginally (by approximately 0.3 loaded and empty trains per day) between DK Cabin and Big Sandy Jct., KY; would increase marginally (from 11.4 to 11.7 loaded and empty trains per day) between Big Sandy Jct. and Catlettsburg, KY; and would likewise increase marginally (from 12.3 to 12.6 loaded and empty trains per day) between Ashland and Russell, KY. See CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls," Tab "Gross Ton Miles Summary."

Fayette, WV. The only change in train activity at the ACW's Fayette Yard resulting from disallowance of the challenged reroutes would be the interchange of the Liberty mine – Graingers, NC movement at Fayette, WV rather than at Mount Holly, NC (as proposed by Duke). This small movement (5,135 annual tons) amounts to less than one full train per year. The interchange of this small movement would have no impact on the capacity requirements set forth in Part III.B of CSXT's Reply.

DK Cabin (Huntington), WV. As discussed in Part II above, Duke assumed that certain coal shipments originating at CSXT-served mines in Pennsylvania and West Virginia — which currently do not traverse any CSXT line in the territory proposed to be served by the ACW — could be diverted to an ACW/CSXT interchange at DK Cabin, WV. For the reasons discussed in Part II above, Duke's attempt to manufacture an ACW line-haul on these shipments should be disallowed. The total volume of traffic diverted to DK Cabin in this manner by Duke was 384,893 tons per year, or approximately 0.24 total loaded and empty trains per day. Eliminating this relatively small number of train movements at DK Cabin would not reduce the track requirements proposed in CSXT's Reply (at III-B-62).

Russell, KY. If the challenged reroutes were disallowed, seven movements, originating at various mines in West Virginia and Kentucky and totaling 434,235 tons per year, would be

redirected from the ACW/CSXT interchange at Spartanburg, SC to the interchange point at Russell, KY. CSXT Supp. Exh. 1. This would increase the level of interchange activity at Russell by 114 trains (loaded and empty) per year, or approximately 0.31 trains per day. Witness Wheeler's original RTC Model analysis demonstrated that the ACW would need one more 7,000-foot yard track at Russell than Duke had provided in its case-in-chief. See CSXT Reply at III-B-62. On Rebuttal, Duke questioned the need for this additional track – see Duke Reb. III-B-21. The increase in interchange and train inspection activity at Russell resulting from redirecting these challenged crossover movements to Russell further buttresses the need for the additional yard track proposed in CSXT's case-in-chief.

b. Big Sandy Jct., KY – Frisco, VA.

Disallowing the challenged reroutes would have a minor impact on the ACW's track and facility requirements between Big Sandy Jct., KY and Frisco, VA. Redirecting the improperly rerouted traffic to its customary route of movement would reduce total (loaded and empty) train volumes by only 0.4 trains per day between Big Sandy Jct. and Shelby Jct., KY, and by only 0.6 trains per day between Shelby Jct. and Elkhorn City, KY. See CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls," Tab "Gross Ton Miles Summary." Between Elkhorn City, KY and Frisco, VA, train activity would be reduced from 19.2 to 18.6 loaded and empty trains per day. Id.

Based upon these changes in daily train activity, witness Wheeler's supplemental RTC Model analysis identified three capacity reductions on the Big Sandy Jct. – Frisco segment that would be possible as a result of the challenged reroutes:

First, CSXT's Reply (at III-B-59, Table III-B-10) recommended track extensions (in both directions) in the vicinity of Scotts Branch, KY. The purpose of those extensions was to maintain fluid operations on the ACW north-south main line, by providing capacity to stage

loaded and empty train movements to/from points on the Coal Run Subdivision. Id. If the challenged reroutes were disallowed, one of the track extensions (1.28 miles in length) could be eliminated. See CSXT Supp. WP "CSXT Supplemental-RTC Case-Duke.zip."

Second, CSXT's Reply (at III-B-63, Table III-B-11) proposed the construction of five additional 7,000-foot yard tracks at Dante, VA, in order to accommodate the movement of 19.2 trains per day through that location, as well as the crew changes at Dante in connection with those train movements. Duke's opening provided for no such facilities at Dante. In its Rebuttal, Duke acknowledged the need for capacity in this area by adding five passing sidings between Elkhorn City, KY and Dante, VA. See Duke Reb. III-B-14. Witness Wheeler's supplemental RTC Model analysis determined that, if the challenged reroutes were disallowed, one of the five 7000-foot tracks at Dante proposed in CSXT's case-in-chief could be eliminated. See CSXT Supp. WP "CSXT Supplemental-RTC Case-Duke.zip.".

Third, witness Wheeler's supplemental RTC Model analysis determined that the reduction in train activity on the ACW's Frisco Branch -- from 4.3 to 2.7 loaded and empty trains per day between Frisco and Big Stone Gap, VA, and from 4.8 to 4.1 trains per day between Big Stone Gap, VA and Pineville, KY (see CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls," Tab "Gross Ton Miles Summary") — would enable the ACW to eliminate the siding between MP 258.7 and MP 259.9 in the vicinity of Pennington, VA proposed in CSXT's Reply (at III-B-62, Table III-B-10).

c. Frisco, VA – Bostic, NC

Disallowing the challenged reroutes would result in a small reduction in train activity on the ACW line between Frisco, VA and Bostic, NC. Specifically, the number of loaded and empty train movements on this segment would be reduced from 22.2 trains per day to 20.0 trains

per day. Id. Based upon this change in daily train activity, witness Wheeler's supplemental RTC Model analysis identified two capacity reductions on the Frisco – Bostic segment:

First, CSXT's Reply (at III-B-61, Table III-B-10) recommended that the ACW siding in the vicinity of Toe River, NC be extended by one train-length to encompass MP 186.5 to MP 183.5. This extension was intended to address a problem caused by the spacing between sidings provided for in Duke's Opening submission (which created unmanageable running times between sidings on this portion of the ACW main line). Id. If the challenged reroutes were disallowed, this track extension could be eliminated. See CSXT Supp. WP "CSXT Supplemental-RTC Case-Duke.zip."

Second, CSXT's Reply (at III-B-62, Table III-B-11) recommended that the ACW's Bostic Yard be increased in size, by adding 2 empty yard tracks and one additional loaded yard track. The purpose of these additions to the ACW's yard capacity was to eliminate main line congestion caused by train volumes and dwell times at Bostic (which is the primary train inspection point on the southern portion of the ACW system). Id. If the challenged crossover traffic were redirected from Spartanburg, SC to alternate ACW/CSXT interchanges at Russell, Pineville and Typo, KY, the number of train movements through Bostic would decline by approximately 2.2 (loaded and empty) trains per day, with a corresponding reduction in empty trains requiring inspection of approximately 1.1 trains per day. CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls," Tab "Gross Ton Miles Summary." This reduction in train activity would enable the ACW to eliminate one of the yard tracks proposed by CSXT in its Reply.

d. Bostic, NC – Spartanburg, SC/Mount Holly, NC

Disallowing the challenged reroutes would result in a small reduction in train activity on the ACW line between Bostic, NC and Spartanburg, SC. Specifically, the number of daily

loaded and empty train movements on this segment would be reduced from 15.8 trains per day to 13.6 trains per day. Id. Based upon this change in train activity, witness Wheeler's supplemental RTC Model analysis determined that one of the five additional yard tracks at Spartanburg proposed in CSXT's Reply (at III-B-62, Table III-B-11) could be eliminated.

The ACW line between Bostic and Mount Holly, NC would not experience a material change in daily train activity. As stated above, the challenged reroutes include only two small movements, accounting for approximately 44,000 tons per year, that were shifted by Duke to an ACW/CSXT interchange at Mount Holly. CSXT Supp. Exh. 1.

e. CSXT Lines South of Spartanburg, SC

CSXT's Reply demonstrated that Duke's decision to force large volumes of crossover traffic (including the challenged rerouted traffic) over the ACW/CSXT interchange at Spartanburg, SC would create substantial capacity problems for CSXT on its lines south of Spartanburg. See CSXT Reply III-B-68 to 72. Specifically, CSXT showed that certain segments of its route between Spartanburg, SC and Savannah, GA are currently operating at or near capacity, and that Duke's proposal would increase the number of trains operating on those segments by up to 45 percent. Id. III-B-69 to 70, Table III-B-12. CSXT identified certain capital improvements that would, at a minimum, be required to avoid massive congestion, and potential service failures, on its lines south of Spartanburg. Id. III-B-70 to 72. The total cost of the capital projects identified by CSXT was approximately $23.4 million. CSXT Reply III-F-148.[6]

[6] Because the Board emphasized the narrow scope of its request for additional evidence, CSXT has not developed a comprehensive estimate of the capital and operating costs that would be imposed on it by Duke's proposed rerouting of traffic. See TMPA, slip op at 21-25; id. at 24 ("A complainant cannot avoid the potential impacts that might result from its rerouting of traffic by choosing to terminate the SARR before the point at which those impacts would occur."). Specifically, this analysis does not purport to identify all of the capital improvements that CSXT

CSXT witnesses Wheeler and Fliess analyzed the impact of disallowing the challenged reroutes on the need for track capacity improvements on CSXT's lines south of Spartanburg. Based upon their analysis, CSXT determined that redirecting the challenged traffic from Spartanburg to the alternate gateways identified above would not eliminate the need for many of the capacity improvements identified in CSXT's Reply. The challenged reroutes account for only 2.2 of the 15.8 trains per day that the ACW proposes to interchange with the residual CSXT at Spartanburg. CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls," Tab "Gross Ton Miles Summary." Notwithstanding the elimination of those interchange trains, CSXT would experience a substantial increase in train activity on its lines south of Spartanburg.

Between Spartanburg and Laurens, SC, the increased number of trains generated by Duke's proposal (even without the challenged rerouted traffic) would require CSXT to reduce grade and curvature, and to upgrade signaling, in order to accommodate ACW interchange traffic safely and efficiently. CSXT Reply III-B-71. A similar upgrade in signaling would be required on the segment between Laurens and Columbia, SC. However, Mr. Wheeler determined that the siding proposed by CSXT between MP 11.7 and MP 13.2 in the vicinity of Ballentine, SC would not be required if the challenged reroutes were disallowed. The yard track extension at the south end of CSXT's Cayce Yard in Columbia, SC would still be needed to avoid conflicts between an increased number of through trains and CSXT switch engines blocking the main line. Id. III-B 72. However, the 7200-foot siding at Dixiana, SC proposed in CSXT's Reply (at III-B-72) could be eliminated if the challenged reroutes were disallowed. See CSXT Supp. WP "III F 12 CSXT South of Spartanburg No Reroute.xls."

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might be required to make in order to accommodate ACW crossover traffic, nor does it consider the effect of Duke's rerouting decisions on CSXT's operating expenses. While a full accounting for all off-SARR costs (and revenues) of the rerouted traffic is appropriate (see TMPA), such a

The total cost of the capital projects that would still be required on CSXT's lines south of Spartanburg would be approximately $18.9 million.

2. Capacity Constraint Analysis

In its Reply (at III-B-46 to 54), CSXT presented the results of witness Wheeler's evaluation of the ACW's capacity requirements based upon the Capacity Constraint Analysis methodology. Capacity Constraint Analysis has been used by the railroad industry for more than a decade to determine track requirements, and is particularly well suited for estimating the capacity of single-track railroads such as the proposed ACW. See CSXT Reply III-B-46 to 47. Utilizing the same methodology as he used in CSXT's case-in-chief, witness Wheeler studied the impact of redirecting (or, in the case of traffic that does not move over any portion of the lines replicated by the ACW, eliminating) the challenged rerouted traffic on the ACW's main line capacity requirements. In performing this analysis, witness Wheeler changed only the train routing for the challenged crossover traffic; all other elements of the Capacity Constraint Analysis presented in CSXT's Reply were held constant.

Based upon application of the Capacity Constraint Analysis to the revised train operations described in this Supplemental Evidence, Mr. Wheeler determined that each of the additional passing sidings identified as necessary in the Capacity Constraint Analysis presented in CSXT's case-in-chief (at III-B-53 to 54, Table III-B-6) would still be required, even if the challenged rerouted traffic were redirected (or eliminated) as described above. See CSXT Sup. WP "Cap Const.-Big Sandy-Spart-Reroute.xls."

In its Rebuttal, Duke acknowledged the deficiency of the main line track configuration that it proposed on Opening by adding a number of additional passing sidings along the central

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mini-SAC presentation appears to be beyond the scope of the October 14 Order.

portion of the ACW's north-south main line, between Elkhorn City, KY and Dante, VA. See Duke Reb. III-B-14 to 15. In order to test the impact of those changes on the supplemental Capacity Constraint Analysis, witness Wheeler performed a further analysis which assumed that the additional tracks proposed by Duke on Rebuttal were included in the ACW system. This analysis indicated that the five additional sidings between Elkhorn City and Dante proposed by Duke on Rebuttal did not remedy the congestion between Elkhorn City and Dante identified in the Capacity Constraint Analysis. As CSXT Supp. Exh. 6 illustrates, these five sidings were placed close together by Duke, in a configuration that would not reduce the overall transit time between sidings sufficiently to maintain a fluid operation between Coal Run Jct., KY and Dante, VA. (See CSXT Supp. Exh. 5, CSXT Supp. WP "Cap Constr.-Big Sandy-Spart-Reroute.xls") Accordingly, the track configuration identified in witness Wheeler's Capacity Constraint Analysis would be required to maintain safe and efficient operations on the ACW, even if the five sidings proposed by Duke on Rebuttal were added to the ACW system. The results of witness Wheeler's supplemental Capacity Constraint Analysis are consistent with, and reinforce, the results of the supplemental RTC Model analysis.

3. Kloer Table

CSXT's Reply (at III-B-54 to 57) presented an analysis of the main line capacity of the ACW based upon the "Kloer Study." (A copy of the Kloer Study was submitted as CSXT Reply Exh. III-B-9.) That analysis demonstrated that the length and spacing of sidings on the ACW's north-south main line between Big Sandy Jct., KY and Spartanburg, SC (as proposed by Duke on Opening) would be inadequate to handle the volume of train activity that the ACW proposed to move over that line. Witness Wheeler's Kloer Study analysis provided further confirmation that the additional main line track capacity proposed in CSXT's Reply was necessary. See CSXT Reply III-B-57, Table III-B-9. In response to CSXT's Reply, Duke's Rebuttal included a

number of additional passing sidings along the ACW's north-south main line. See Duke Reb. III-B-14 to 15.

Utilizing the same methodology as he used in CSXT's case-in-chief, witness Wheeler applied the Kloer Study capacity guidelines to the revised train operations that would result from disallowing the challenged reroutes. See CSXT Supp. WP "Big Sandy-Spart Siding Stats-Reroutes.xls." Witness Wheeler determined that the estimated capacity of the ACW's main line (even as enhanced by Duke on Rebuttal) would not be adequate to accommodate the ACW's revised train operations. Table 1 below sets forth the results of witness Wheeler's supplemental Kloer Study analysis.

TABLE 1
REVISED ACW Track Configuration & Kloer Capacity Estimate

ACW Route Segment	Siding Length	Siding Spacing (per Duke Rebuttal)	Signal System	ACW Train Volume (without Reroutes)	Nearest Kloer Estimated Capacity Category (Trains per Day)
Big Sandy to Beaver Jct	1.3 miles	15.4 miles apart	CTC	NOT GIVEN	<20-25
Beaver Jct to Frisco	1.3 miles	8.1 miles apart	CTC	28.6	<20-25
Frisco to Bostic	1.3 miles	11 miles apart	CTC	31.8	< 20-25
Bostic to Spartanburg	1.3 miles	11.9 miles apart	CTC	19.8	< 20-25

B. Net Investment (Construction) Costs Attributable to Rerouted Crossover Traffic

Based on the changes in SARR configuration identified in the preceding section, CSXT calculated the SARR road property investment costs attributable to the challenged crossover traffic. To make this calculation, CSXT adjusted specific inputs to its investment cost spreadsheet to reflect those configuration changes (removing passing sidings and yard tracks, removing certain facilities south of Spartanburg, etc.) and, holding all other parameters and inputs constant, re-calculated the costs for all road property investment components.[7] CSXT then compared the resulting costs with its original road property investment cost calculations (see CSXT Reply Section III.F) to determine the net investment costs attributable to the challenged reroutes. The results of that analysis are summarized in Table 2.

TABLE 2
ACW Construction Costs (Millions)

Account No.	Account Name	CSXT Reply (Reroutes Included)	Modified Off Junction (No Reroutes)	Difference
01	Engineering	$510.1	$508.7	($1.4)
02	Land	101.0	101.0	–
03	Grading	1,921.7	1,915.3	(6.4)
05	Tunnels	577.8	577.8	0.0
06	Bridges & Culverts	401.8	400.9	(0.8)
08	Ties	187.9	186.8	(1.2)
09	Rail and OTM	449.9	446.0	(3.9)

[7] To determine the changes in investment costs necessitated by the rerouted crossover traffic, CSXT started with its Reply evidence (as corrected to account for the bridge abutment error described in CSXT's Petition for Leave to Correct the Record (filed Dec. 8, 2003), and changed only the specific inputs relating to the removal or addition of facilities attributable to the change in ACW traffic patterns for this restatement. See CSXT Supp. WP "III F - Construction Total CSX - No Reroute.xls." Because CSXT made the changes to the inventories themselves, the restated investments flow automatically through all of the necessary investment accounts. Similarly, for grading, bridges, crossings and culverts, the number and/or length of passing sidings were reduced for the appropriate line segments, again allowing the changes to automatically flow through the inventories and investment calculations. Details of these calculations are set forth in CSXT's revised construction cost work papers.

Account No.	Account Name	CSXT Reply (Reroutes Included)	Modified Off Junction (No Reroutes)	Difference
11	Ballast	171.2	170.1	(1.1)
12	Track Labor	244.6	243.1	(1.5)
13	Fences and Roadway Signs	0.8	0.8	0.0
17	Roadway Buildings	15.2	15.2	0.0
19	Fuel Stations	26.8	26.8	0.0
23	Shops and Enginehouses	25.4	25.4	0.0
26	Communication Systems	99.6	99.6	0.0
27	Signals & Interlockers	131.6	129.7	(1.8)
39	Public Improvements	28.1	28.0	(0.1)
Total		$4,893.4	$4,875.2	($18.2)

C. Operating Plan

CSXT witness Fliess considered the extent to which redirecting the challenged rerouted traffic to the alternate interchanges described above would require adjustments to the operating plan for the ACW set forth in Part III.C. of CSXT' Reply.[8] Based upon Mr. Fliess' analysis of the changes in train operations and related activities resulting from disallowance of the challenged reroutes, and the same methodologies employed in developing the operating plan presented in CSXT's case-in-chief, CSXT identified the following impacts on the ACW operating plan:

Road Locomotives. CSXT's Reply proposed a locomotive fleet for the ACW of 282 total road locomotives, consisting of 269 units (including spares) to power ACW trains, 9 helper units, and 4 locomotives to power ACW work trains. See CSXT Reply III-C-8 to 11; CSXT Reply WP "switch and helper crews.xls", Tab "locosummary". CSXT's case-in-chief operating expense calculations also provided for 8 SD40-2 locomotives for switching operations. See CSXT Reply III-C-11 to 12.

[8] Witness Fliess developed and sponsored the operating plan presented by CSXT in its Reply.

Based upon the same peak period methodology and assumed spare margin of 5 percent utilized in CSXT's case-in-chief (see CSXT Reply III-C-8 to 9), CSXT witness Plum determined that, if the challenged reroutes were disallowed, the ACW would need 256 road locomotives (including spares) to power ACW trains. The ACW's requirements for helper locomotives (9 units), switch locomotives (8 SD40-2 units) and work train locomotives (4 units) would remain unchanged.

Rail Cars. Mr. Plum's revised spreadsheet analysis determined that redirecting the challenged crossover traffic to its natural route of movement would reduce the ACW's coal car requirements from 4,137 cars to 4,112cars, a difference of 25 coal cars.[9] This modest reduction in the ACW's coal car requirements is attributable in part to the fact that many of the challenged reroutes involve shipments to utilities whose coal moves almost exclusively in private cars. Redirecting (or eliminating) such shipments would not impact the ACW's proprietary fleet requirements.

Interchanges. Redirecting the challenged reroutes to their customary route(s) of movement would not create any new ACW/CSXT interchange points. The volume of traffic interchanged between the ACW and the residual CSXT at DK Cabin, WV, Spartanburg, SC and Mount Holly, NC would be reduced. As described above, the volume of traffic interchanged between the ACW and CSXT at Pineville, Jct. and Russell, KY would increase significantly. The ACW/CSXT interchanges at Typo, KY and Fayette, WV would experience minimal increases in interchange volume.

[9] CSXT's Reply Narrative (at III-C-13, Table III-C-2) erroneously identified the number of coal cars required by the ACW as 4,117 cars, rather than 4,137 cars. The correct number was shown in CSXT's Reply Workpapers .

Train Inspections. Disallowing the challenged reroutes would not have a substantial impact on the ACW's train inspection activities. The number of empty trains inspected at Bostic, NC would decrease from approximately 11.1 trains per day to approximately 10.0 trains per day. The number of empty ACW trains inspected at Russell, KY would increase marginally, from 11.9 trains per day to 12.2 trains per day. Trains redirected to the ACW/CSXT interchanges at Pineville and Typo, KY would receive inspections (in the empty direction) on CSXT's line at Corbin, KY.

Operating Personnel. Mr. Plum's revised spreadsheet analysis determined that redirecting the challenged crossover traffic to its natural route of movement would reduce the ACW's T&E crew requirements from the 444 crew persons contemplated by CSXT's Reply (CSXT Reply III-D-19 Table III-D-6) to 410 crew persons, a difference of 34 crew persons. Mr. Fliess determined that redirecting the challenged rerouted traffic would not generate changes in train inspections or yard activities sufficient to warrant any change in the ACW's other personnel requirements.

D. Operating Expenses

To determine the net on-SARR operating costs attributable to the challenged rerouted traffic, CSXT used the same computer spreadsheet analysis it used in its Reply. Specifically, witness Plum changed the "off-SARR" junction point for the challenged reroutes to return those movements to the ACW/CSXT interchange point(s) that most accurately resembles the route over which such traffic moves on CSXT today. Mr. Plum also input the revised train velocities (by segment) generated by witness Wheeler's supplemental RTC Model analysis, which reflect the train speeds achieved by the ACW based upon the redirected train movements. He then re-ran the spreadsheet analysis to generate revised operating statistics (locomotive unit miles, car-miles, crews, etc.) for the ACW based upon the redirected movement of the challenged crossover

traffic. See CSXT Supp. WP "LUMs and Carmiles (CSX) v4 (Modified Off Jct) v2.xls." CSXT also modified the inputs to the spreadsheet that computes stand-alone maintenance-of-way expenses to incorporate the changes resulting from the redirection of the challenged crossover traffic. See CSXT Supp. WP "III D 4 Maintenance of Way.xls." Consistent with the Board's intent to re-open the record only for the limited purpose of calculating the costs and revenues attributable to the challenged crossover traffic, witness Plum held constant all other parameters and inputs to his spreadsheet. See October 14 Order. Table 3 summarizes the impact of eliminating Duke's proposed reroutes on several key operating statistics.[10]

TABLE 3
Comparison of Base Year 2002 OPSTATS
For Rerouted Traffic Scenarios

	CSXT Case-In-Chief	Modified Off Junction	Difference from CSXT Case-In-Chief	% Difference from CSXT Case-In-Chief
GTMs	28,470,667,701	26,793,016,490	(1,677,651,211)	-5.9%
T&E Crews*	444	410	(34)	-7.7%
Overnights	10,117	9,181	(936)	-9.3%
Taxi Trips	40,680	40,180	(500)	-1.2%
AC44 Locomotives	282	269	(13)	-4.6%
SD40 Locomotives	8	8	-	0.0%
LUMs (Includes Road and Helper)	11,388,779	10,548,459	(840,320)	-7.4%
Coal Cars**	4,137	4,112	(25)	-0.1%
Steel Cars	31	31	-	0.0%

[10] The effect of disallowing Duke's proposed reroutes on all relevant operating statistics is set forth in CSXT Supp. WP "Equipment Counts (Modified Off Jct) v2.xls" and CSXT Supp. WP "Comparison of OPSTATS (DUKE-CSX) v2.xls."

	CSXT Case-In-Chief	Modified Off Junction	Difference from CSXT Case-In-Chief	% Difference from CSXT Case-In-Chief
Coal Tons	97,951,296	97,495,679	(455,616)	-0.5%
Steel Tons	2,111,542	2,111,542	-	0.0%
Trackage Rights Fees	$1,885,642	1,148,286	(737,356)	-39.1%

*Due to linking error in CSXT's Reply evidence, 444 crew people were represented in the operating expense spreadsheet, but the expenses for only 425 crew people were actually calculated.
**Due to a linking error in CSXT's Reply evidence, the expenses for only 4,117 coal cars were calculated. The correct Reply coal car count should have been 4,137.

CSXT used these revised operating statistics and equipment requirements to calculate revised operating costs for the ACW, assuming that the challenged rerouted traffic would be redirected to routes more consistent with its customary route of movement. CSXT then compared these revised operating costs with the operating costs CSXT previously calculated on Reply (which assumed that the challenged movements would be routed as proposed by Duke) to determine the annual change in SARR operating expenses that would result from disallowance of the challenged reroutes. Based on this analysis, CSXT determined that annual SARR operating expenses attributable to the challenged reroutes are approximately $9.9 million. The major components of those additional costs are set forth in Table 4.

TABLE 4
Comparison of 2002 Operating Expenses For Rerouted Traffic Scenarios

Item	CSXT Case-In-Chief	Modified Off Junction	Difference	% Difference
Train & Engine Personnel	$42,604,568	$41,148,711	($1,455,857)	-3.4%
Locomotive Lease Expense	51,860,264	49,542,578	(2,317,687)	-4.5%
Locomotive Maintenance Expense	28,868,338	27,593,635	(1,274,703)	-4.4%
Locomotive Operating Expense	43,882,936	40,645,037	(3,237,899)	-7.4%
Railcar Lease Expense	22,148,166	22,119,404	(28,762)	-0.1%
Material & Supply Operating	1,458,607	1,441,537	(17,070)	-1.2%

Item	CSXT Case-In-Chief	Modified Off Junction	Difference	% Difference
Ad Valorum Tax	4,051,208	4,051,208	-	0.0%
Operating Managers	19,013,739	19,013,739	-	0.0%
General & Administration	34,027,160	33,566,232	(460,928)	-1.4%
Other Expenses	1,885,642	1,148,286	(737,356)	-39.1%
Loss and Damage	478,269	476,397	(1,872)	-0.4%
Payment to Mines	48,885,046	48,885,046	-	0.0%
Insurance (2.50%)	8,655,148	8,413,651	(241,497)	-2.8%
Maintenance of Way	47,041,977	46,914,246	(127,731)	-0.3%
Total Annual Costs	$354,861,068	$344,959,707	($9,901,361)	-3%
Total Quarterly Cost	$88,715,267	$86,239,927	($2,475,340)	-3%

V. REVISED DISCOUNTED CASH FLOW AFTER REMOVING COSTS AND REVENUES ATTRIBUTABLE TO THE REROUTES

In order to determine the impact of the costs and revenues attributable to rerouted crossover traffic on the overall SAC analysis, CSXT has re-run its 20-year discounted cash flow ("DCF"). CSXT made only those changes to the DCF inputs necessary to reflect the net changes in costs and revenues attributable to the rerouted traffic. Holding all other variables and parameters constant, CSXT re-ran the DCF analyses. Table 5 compares CSXT's base case 20-year DCF with and without the costs and revenues (calculated using the EMP revenue allocation method) attributable to the challenged rerouted traffic.

TABLE 5
(Millions)

Year	A Annual Revenue No Reroutes	B Annual Revenue Including Reroutes	C Difference (A – B)	D Stand-Alone Cost No Reroutes	E Stand-Alone Cost Including Reroutes	F Difference (D – E)	G Net Difference[11] (C – F)
2002	$441.6	$453.0	($11.4)	$866.3	$878.2	($11.9)	$0.4
2003	475.7	487.7	(12.0)	881.0	893.1	(12.0)	0.0
2004	491.0	503.7	(12.7)	907.8	920.4	(12.6)	(0.1)
2005	468.1	478.9	(10.8)	918.3	930.5	(12.2)	1.4
2006	456.8	465.1	(8.3)	939.3	951.3	(12.0)	3.7
2007	470.1	478.9	(8.8)	963.0	975.5	(12.5)	3.7
2008	475.2	484.4	(9.2)	986.3	999.2	(12.8)	3.7
2009	475.0	483.7	(8.7)	1,006.4	1,019.3	(12.9)	4.3
2010	474.1	482.4	(8.3)	1,028.2	1,041.3	(13.1)	4.8
2011	514.4	525.3	(10.9)	1,011.4	1,025.6	(14.2)	3.4
2012	519.1	529.6	(10.5)	1,036.5	1,051.0	(14.5)	4.0
2013	513.8	523.6	(9.8)	1,057.0	1,071.6	(14.5)	4.7
2014	517.2	526.9	(9.7)	1,082.1	1,096.9	(14.8)	5.1
2015	522.3	532.1	(9.8)	1,109.0	1,124.1	(15.1)	5.4
2016	528.0	537.7	(9.7)	1,138.1	1,153.7	(15.5)	5.8
2017	527.3	536.7	(9.4)	1,164.2	1,179.9	(15.7)	6.4
2018	524.2	533.5	(9.3)	1,187.8	1,203.6	(15.8)	6.5
2019	533.2	542.5	(9.3)	1,219.6	1,235.9	(16.3)	6.9
2020	539.8	549.2	(9.4)	1,249.5	1,266.1	(16.6)	7.2
2021	544.7	554.2	(9.5)	1,280.2	1,297.1	(16.9)	7.5

Table 6 displays the results of the same analysis and comparison, using the Board's "MSP" method to calculate revenues attributable to the challenged reroutes.

[11] Column G ("Net Difference") represents the annual net change to the excess of stand-alone costs over stand-alone revenues that would result from the removal of the costs and revenues attributable to the rerouted crossover traffic. Thus, the amount by which stand-alone costs exceed revenues would decrease by a small amount during virtually all years of the DCF period.

TABLE 6
(Millions)

Year	A Annual Revenue No Reroutes	B Annual Revenue Including Reroutes	C Difference (A – B)	D Stand-Alone Cost No Reroutes	E Stand-Alone Cost Including Reroutes	F Difference (D – E)	G Net Difference[12] (C – F)
2002	$446.1	$453.0	($6.8)	$866.3	$878.2	($11.9)	$5.0
2003	480.8	487.7	(6.9)	881.0	893.1	(12.0)	5.1
2004	496.8	503.7	(7.0)	907.8	920.4	(12.6)	5.6
2005	472.3	478.9	(6.6)	918.3	930.5	(12.2)	5.6
2006	458.9	465.1	(6.2)	939.3	951.3	(12.0)	5.8
2007	472.6	478.9	(6.3)	963.0	975.5	(12.5)	6.1
2008	478.0	484.4	(6.4)	986.3	999.2	(12.8)	6.4
2009	477.5	483.7	(6.2)	1,006.4	1,019.3	(12.9)	6.8
2010	476.3	482.4	(6.1)	1,028.2	1,041.3	(13.1)	7.0
2011	518.6	525.3	(6.7)	1,011.4	1,025.6	(14.2)	7.5
2012	523.0	529.6	(6.6)	1,036.5	1,051.0	(14.5)	7.9
2013	517.1	523.6	(6.5)	1,057.0	1,071.6	(14.5)	8.1
2014	520.4	526.9	(6.5)	1,082.1	1,096.9	(14.8)	8.3
2015	525.5	532.1	(6.6)	1,109.0	1,124.1	(15.1)	8.5
2016	531.1	537.7	(6.7)	1,138.1	1,153.7	(15.5)	8.9
2017	530.1	536.7	(6.5)	1,164.2	1,179.9	(15.7)	9.2
2018	526.9	533.5	(6.5)	1,187.8	1,203.6	(15.8)	9.3
2019	536.0	542.5	(6.5)	1,219.6	1,235.9	(16.3)	9.8
2020	542.7	549.2	(6.6)	1,249.5	1,266.1	(16.6)	10.0
2021	547.6	554.2	(6.6)	1,280.2	1,297.1	(16.9)	10.3

The full revised DCF, and additional comparison tables, are set forth in the workpapers submitted as part of this Supplemental Evidence. While the numerical SAC results are slightly different after eliminating the reroutes (decreasing by approximately $26 million the cumulative present value of the amount by which SARR costs exceed revenues), they continue to support the

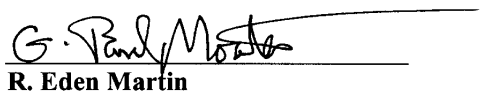
[12] Column G ("Net Difference") represents the annual net change to the excess of stand-alone costs over stand-alone revenues that would result from the removal of the costs and revenues attributable to the rerouted crossover traffic. Thus, the amount by which stand-alone costs exceed revenues would decrease by a small amount in most years of the DCF period.

same overall conclusion presented in CSXT's three rounds of evidence and in its Brief: the challenged rates are reasonable, and no rate prescription is appropriate.

Conclusion

CSXT respectfully requests that the Board adopt CSXT's estimates of the revenues and costs attributable to the challenged rerouted traffic.

Respectfully submitted,



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DATED: January 5, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant*, v. CSX TRANSPORTATION, INC., *Defendant*.	)	STB Docket No. 42070

VERIFICATION AND STATEMENT OF QUALIFICATIONS

MICHAEL R. BARANOWSKI

My name is Michael R. Baranowski. I previously sponsored portions of the Reply Evidence of CSX Transportation, Inc. in this matter.

In the Supplemental Evidence of Defendant CSX Transportation, Inc., I am sponsoring Sections II, IV B, and V.

I declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 5th day of January, 2004.

Michael R. Baranowski

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant*, v. CSX TRANSPORTATION, INC., *Defendant*.	)	STB Docket No. 42070

VERIFICATION AND STATEMENT OF QUALIFICATIONS

JULIE A. MURPHY

My name is Julie A. Murphy. I previously sponsored portions of the Reply Evidence of CSX Transportation, Inc. in this matter.

In the Supplemental Evidence of Defendant CSX Transportation, Inc., I am sponsoring Section III.

I declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 5th day of January, 2004.

Julie A. Murphy

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant*, v. CSX TRANSPORTATION, INC., *Defendant.*	)	STB Docket No. 42070

VERIFICATION AND STATEMENT OF QUALIFICATIONS

ROBERT J. PLUM, III

My name is Robert J. Plum, III. I previously sponsored portions of the Opening, Reply and Rebuttal Evidence of CSX Transportation, Inc. in this matter.

In the Supplemental Evidence of Defendant CSX Transportation, Inc., I am sponsoring Sections IV C and IV D.

I declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 5th day of January, 2004.

Robert J. Plum, III

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant*, v. CSX TRANSPORTATION, INC., *Defendant*.	)	STB Docket No. 42070

VERIFICATION AND STATEMENT OF QUALIFICATIONS

RICHARD A. FLIESS

My name is Richard A. Fliess. I previously sponsored portions of the Reply Evidence of CSX Transportation, Inc. in this matter.

In the Supplemental Evidence Submitted by Defendant CSX Transportation, Inc., I am sponsoring Section IV.C.

I declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 24th day of December, 2003.

Richard A. Fliess

Richard A. Fliess

BEFORE THE
SURFACE TRANSPORTATION BOARD

DUKE ENERGY CORPORATION, *Complainant*, v. CSX TRANSPORTATION, INC., *Defendant*.	)	STB Docket No. 42070

VERIFICATION AND STATEMENT OF QUALIFICATIONS

DAVID R. WHEELER

My name is David R. Wheeler. I am the founder of Rail Network Analytics. My office is located at 9222 Nottingham Way, Mason, Ohio, 45040. I previously sponsored portions of the Reply Evidence of CSX Transportation, Inc. in this matter.

In the Supplemental Evidence Submitted by Defendant CSX Transportation, Inc., I am sponsoring Section IV.A.

I declare under the penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this testimony.

Executed on this 2nd day of January 2004.

David R. Wheeler

CERTIFICATE OF SERVICE

I hereby certify that, on this 5th day of January, 2004, I served the foregoing "Supplemental Evidence of Defendant CSX Transportation, Inc." by causing five (5) copies thereof to be delivered, via hand delivery, to:

William L. Slover
Robert D. Rosenberg
Christopher A. Mills
Andrew B. Kolesar III
Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Hae-Won Min

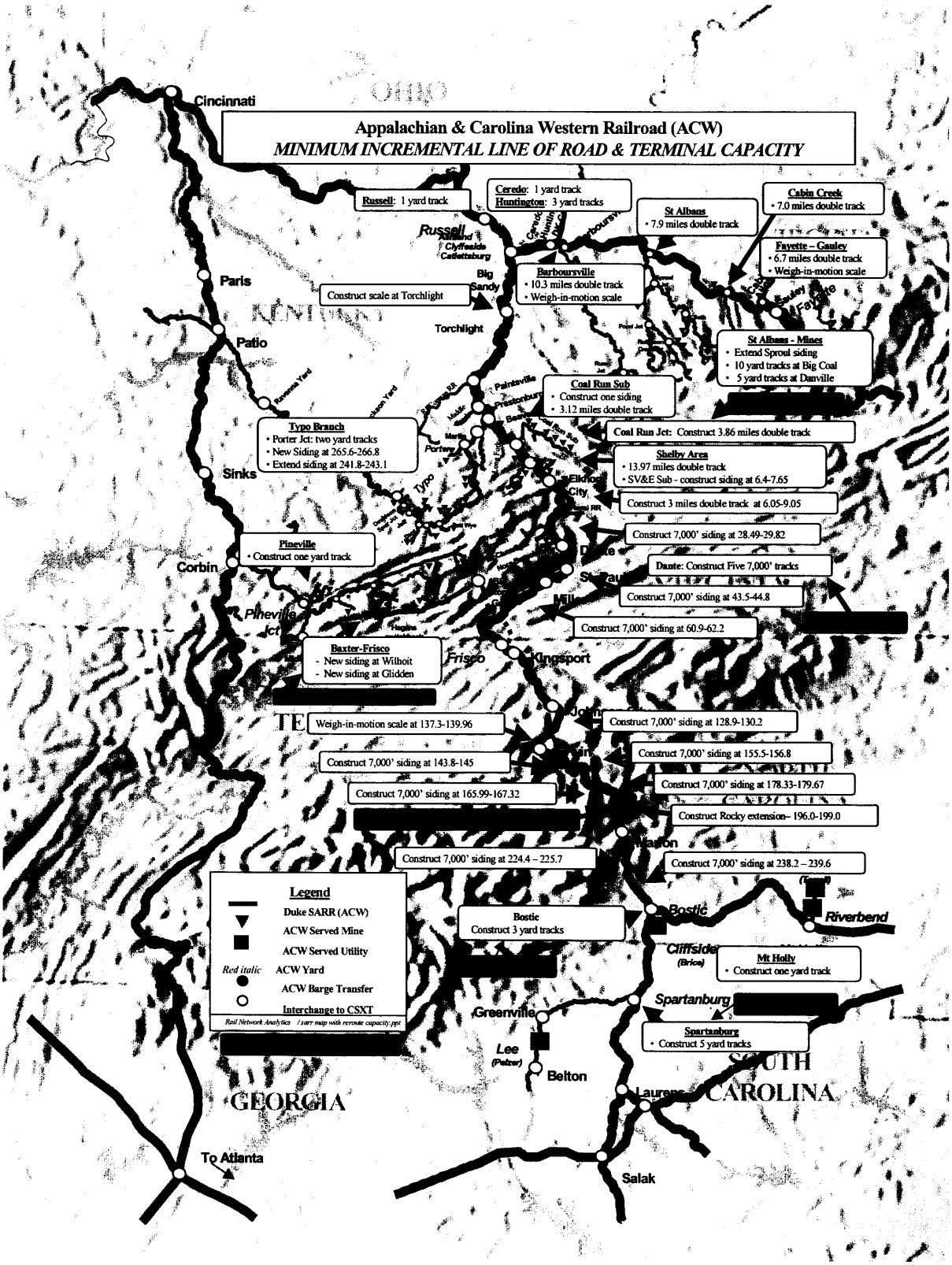
Duke vs. CSXT
Supplemental Exhibit 1

Origin	Destination	SARR/CSXT Interchange Point	Historic Interchange Point	Duke's on SARR Miles	Historic on SARR Miles	Difference
Clover,KY	Stilesboro,GA	Spartanburg,SC	Pineville Jct.,KY	611.0	311.0	300.0
Lynch 3,KY	Stilesboro,GA	Spartanburg,SC	Pineville Jct.,KY	575.0	349.0	226.0
Emerald Mine,PA	Powerpark,FL	Spartanburg,SC	No on-SARR haul	1,331.5	1,186.7	144.8
Emerald Mine,PA	Bostwick,FL	Spartanburg,SC	No on-SARR haul	1,366.6	1,221.8	144.8
Bailey Mine,PA	Powerpark,FL	Spartanburg,SC	No on-SARR haul	1,345.2	1,200.4	144.8
Lynch 3,KY	Mitchell,GA	Spartanburg,SC	Pineville Jct.,KY	743.6	608.1	135.5
Goals,WV	N. Birmingham,AL	Spartanburg,SC	Russell,KY	960.7	828.5	132.2
Wells Prep Plant,WV	N. Birmingham,AL	Spartanburg,SC	Russell,KY	955.4	824.0	131.4
Lynch 3,KY	Jacmac,GA	Spartanburg,SC	Pineville Jct.,KY	525.6	396.9	128.7
Rapidloader 1,KY	Stilesboro,GA	Spartanburg,SC	Typo,KY	634.0	523.0	111.0
Hutchinson,WV	Stilesboro,GA	Spartanburg,SC	Russell,KY	765.0	685.0	80.0
Fanco,WV	Stilesboro,GA	Spartanburg,SC	Russell,KY	776.0	696.0	80.0
Prenter,WV	Stilesboro,GA	Spartanburg,SC	Russell,KY	767.0	687.0	80.0
Evergreen,WV	Red Level Jct.,FL	Spartanburg,SC	No on-SARR haul	1,326.9	1,280.0	46.9
Clover,KY	Harllee,GA	Spartanburg,SC	Pineville Jct.,KY	579.0	531.0	48.0
Evergreen,WV	Lakeland,FL	Spartanburg,SC	No on-SARR haul	1,381.8	1,339.1	42.7
Clover,KY	Powerpark,FL	Spartanburg,SC	Pineville Jct.,KY	687.0	645.0	42.0
Clover,KY	Taft,FL	Spartanburg,SC	Pineville Jct.,KY	871.0	829.0	42.0
Clover,KY	Park,FL	Spartanburg,SC	Pineville Jct.,KY	920.0	878.0	42.0
Clover,KY	Lakeland,FL	Spartanburg,SC	Pineville Jct.,KY	920.0	878.0	42.0
Damfork,KY	Stevenson,AL	Spartanburg,SC	Russell,KY	681.8	651.6	30.2
Damfork,KY	Bridgeport,AL	Spartanburg,SC	Russell,KY	672.2	651.6	20.6
Liberty,WV	Graingers,NC	Mount Holly,NC	Fayette,WV	831.3	812.8	18.5
Consol 95,WV	Bostwick,FL	Spartanburg,SC	No on-SARR haul	1,126.7	1,160.9	(34.2)
Loveridge Mine,WV	Bostwick,FL	Mount Holly,NC	No on-SARR haul	878.4	1,076.1	(197.7)
Resource,KY	Red Level Jct.,FL	Spartanburg,SC	No on-SARR haul	906.5	1,143.0	(236.5)

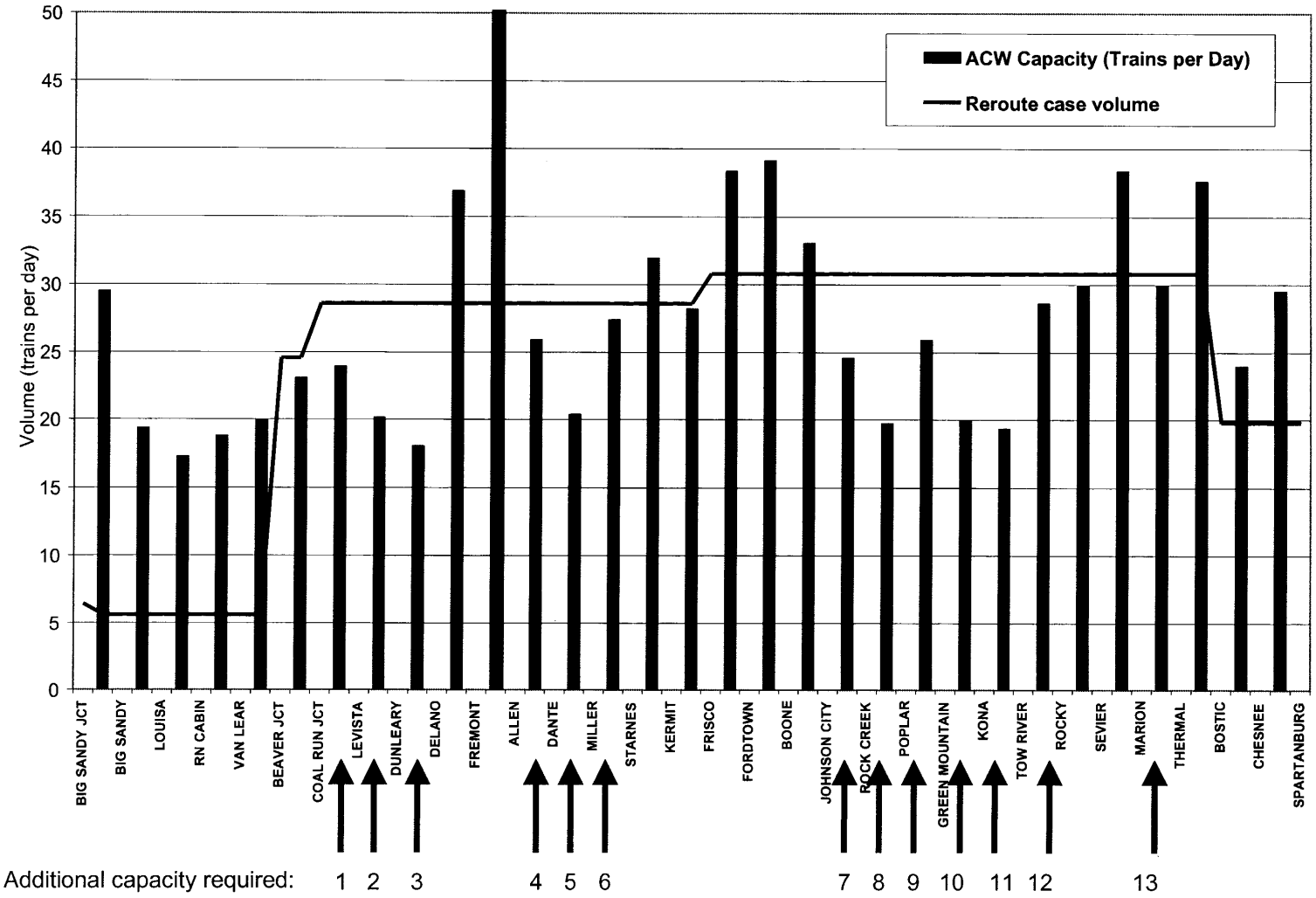
Duke vs. CSXT
Supplemental Exhibit 2

Origin	Destination	Departure Point from Customary Route	Duke's Proposed SARR On-Junction	Distance from Departure Point to Duke's Proposed SARR On-Junction	Duke's Proposed SARR Off-Junction	Re-Entry Point to Customary Route	Distance from Duke's Proposed SARR Off-Junction to Re-Entry Point to Customary Route
Consol 95, WV	Bostwick, FL	Consol 95, WV	DK Cabin (Huntington, WV)	248.3	Spartanburg, SC	Savannah,GA	256.0
Bailey Mine, PA	Power Park, FL	W Brownsville Jct, PA	DK Cabin (Huntington, WV)	347.7	Spartanburg, SC	Savannah,GA	256.0
Emerald Mine, PA	Power Park, FL	W Brownsville Jct, PA	DK Cabin (Huntington, WV)	347.7	Spartanburg, SC	Savannah,GA	256.0
Emerald Mine, PA	Bostwick, FL	W Brownsville Jct, PA	DK Cabin (Huntington, WV)	347.7	Spartanburg, SC	Savannah,GA	256.0
Evergreen Mine, WV	Red Level Jct., FL	Grafton, WV	DK Cabin (Huntington, WV)	254.3	Spartanburg, SC	Savannah,GA	256.0
Resource, KY	Red Level Jct., FL	Heidrik,KY	Pineville Jct., KY	22.8	Spartanburg, SC	Waycross,GA	352.0
Evergreen Mine, WV	Lakeland, FL	Grafton, WV	DK Cabin (Huntington, WV)	254.3	Spartanburg, SC	Savannah,GA	256.0
Loveridge Mine, WV	Bostwick, FL	Catwba Jct., WV	DK Cabin (Huntington, WV)	280.5	Spartanburg, SC	Savannah,GA	256.0

CSXT Supp. Exhibit 3



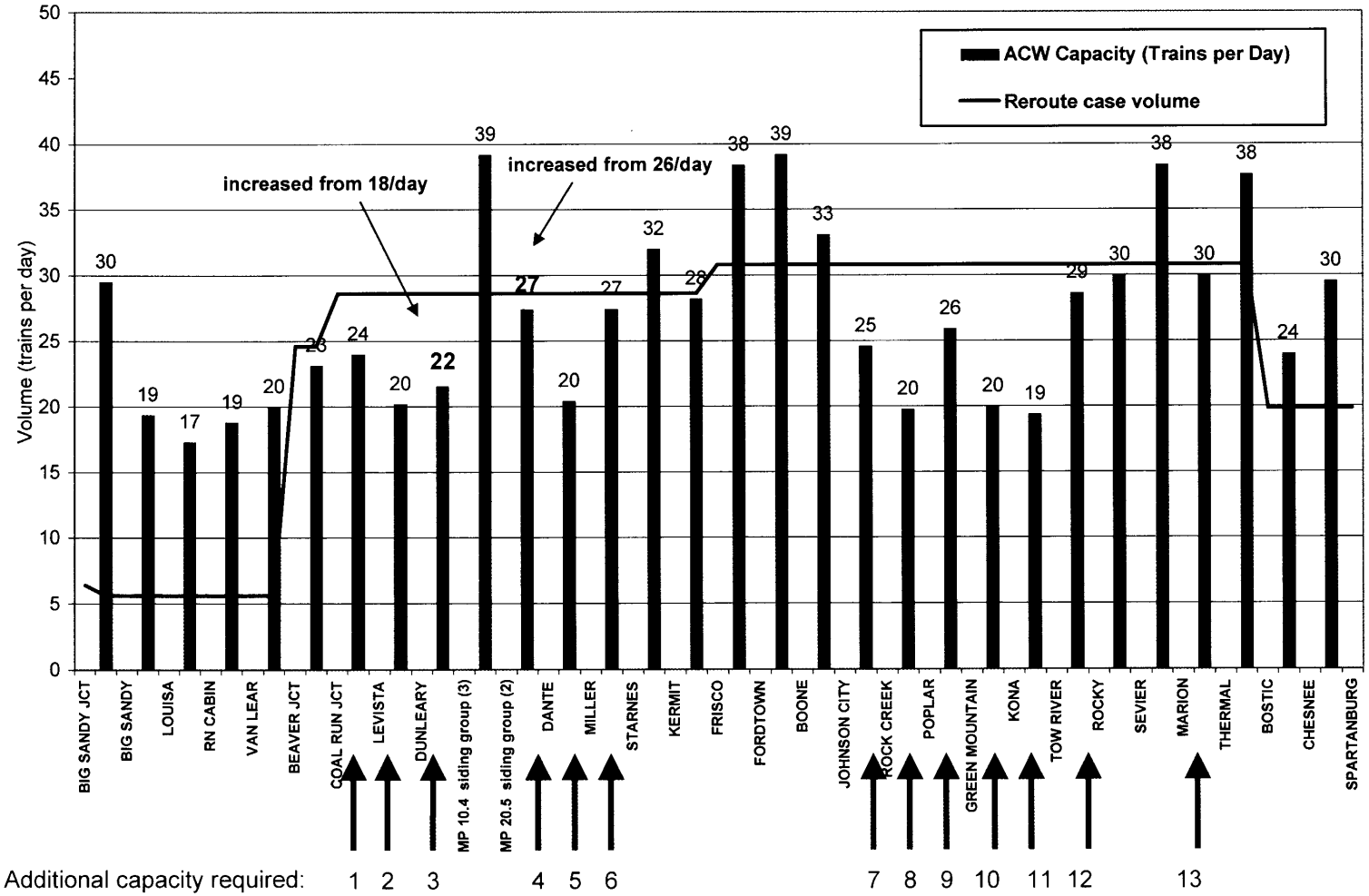
SUPPLEMENTAL CAPACITY CONSTRAINT ANALYSIS
DUKE ACW NETWORK: BIG SANDY - SPARTANBURG



Cap Constraint-Big Sandy-Spart-reroutes.ppt

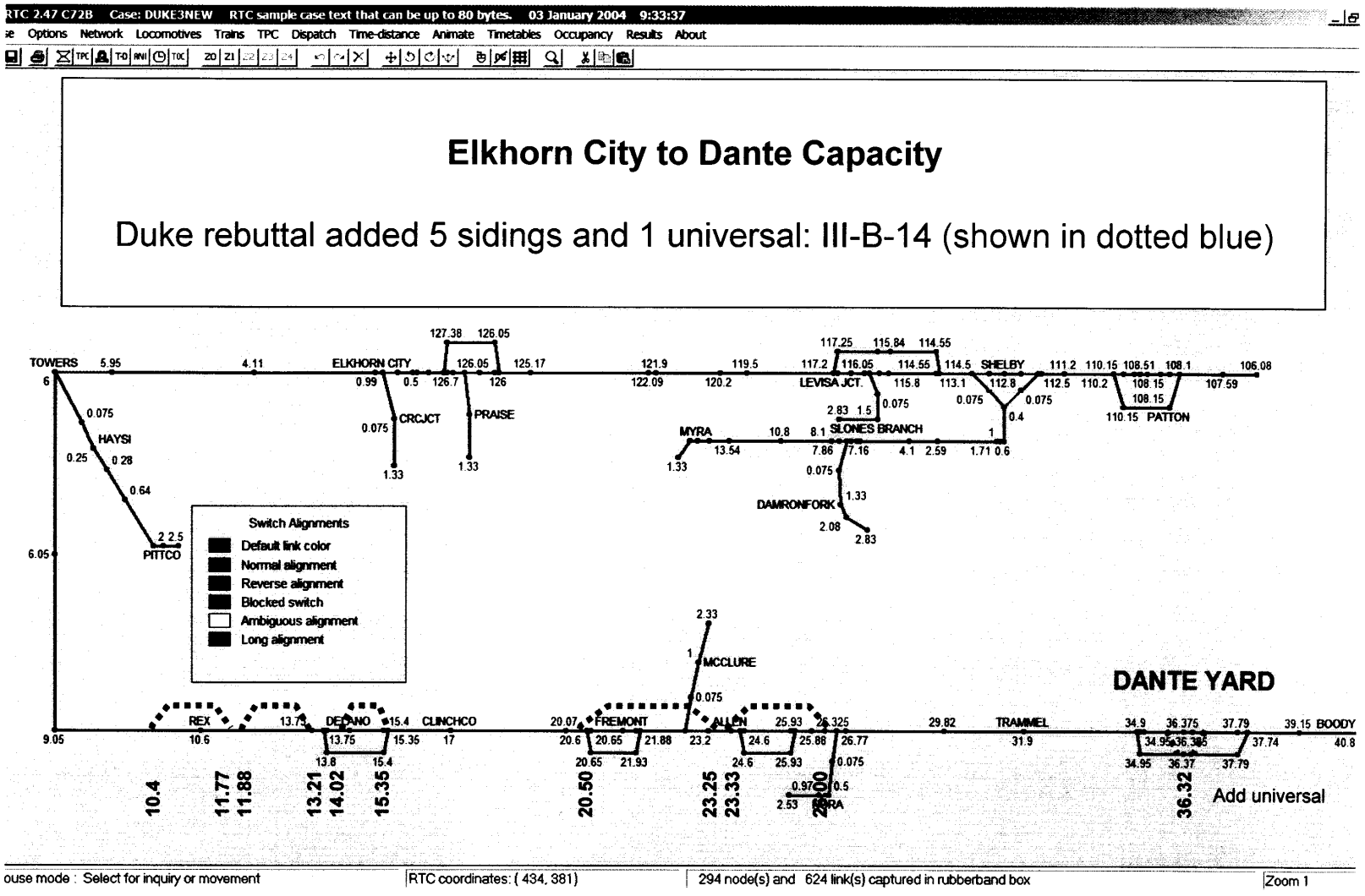
CSXT Supp. Exhibit 4

SUPPLEMENTAL CAPACITY CONSTRAINT ANALYSIS (with Duke Rebuttal Capacity)
DUKE ACW NETWORK: BIG SANDY - SPARTANBURG



Cap Constraint-Big Sandy-Spart-reroutes.ppt

CSXT Supp. Exhibit 5



Base capacity shown is Duke's opening